

**PUBLIC DISCLOSURE**

MARCH 25, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SOUTH SHORE SAVINGS BANK

1530 MAIN STREET  
SOUTH WEYMOUTH, MA 02190

DIVISION OF BANKS  
100 CAMBRIDGE STREET  
BOSTON, MA 02202

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **SOUTH SHORE SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **March 25, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"**

South Shore Savings Bank was evaluated for Community Reinvestment under the Large Institution CRA Examination procedures, including the Lending, Investment and Services tests. The following summary highlights the results of efforts made by the Board of Trustees, Management, and bank staff to meet the bank's CRA responsibilities.

South Shore Savings Bank's lending efforts were rated under seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Loss of Affordable Housing, and Fair Lending.

In considering South Shore Savings Bank's performance, the bank's responsiveness to assessment area credit needs was first evaluated, specifically the number and dollar amount of loans and location of loans. South Shore Savings Bank's volume of mortgage lending has increased dramatically since the previous examination, with 1,332 HMDA reportable loans originated and purchased in 2001 and 2002. Of this total, 1,049 or 78.8 percent were originated within its assessment area.

In addition to residential mortgages, the bank's small business loans were reviewed. The level of small business loans has decreased since the previous examination with 81 loans being granted during 2001 and 2002. Of the total small business loans granted for the period under review 71 or 87.7 percent were granted within its assessment area.

In evaluating the bank's lending performance, primary emphasis was placed on the geographic distribution of loans as well as borrower characteristics. South Shore Savings Bank has displayed a willingness to lend to borrowers of low and moderate incomes from within the assessment area. Of the 1,049 originations inside the assessment area, 257, or 24.5 percent, were to low and moderate-income applicants. The distribution of the bank's loans among the borrower income levels was also compared to all other HMDA reporters originating or purchasing a loan within the bank's assessment area in 2001. This comparison indicates that the bank's performance slightly exceeds the level achieved by all other HMDA reporters.

Fair Lending policies and practices are evaluated under the Lending Test. Based on the institution's efforts, and described in detail in the Lending Test section, South Shore Savings Bank's performance is considered to be "High Satisfactory."

South Shore Savings Bank's qualified investments consist of mortgage-backed securities and charitable contributions. The mortgage-backed securities supported community development activities through affordable housing for low to moderate-income families within the assessment area. Donations were made to organizations that serve the needs of low and moderate-income families and individuals. Overall, South Shore Savings Bank has exhibited a good responsiveness to credit and community economic development

needs. Therefore, the bank's investment performance receives a rating of "High Satisfactory."

South Shore Savings Bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels in its assessment area, including those of low and moderate-income. Through management's involvement in community development organizations, South Shore Savings Bank has displayed a sincere commitment to its assessment area. Personnel donate their time and technical expertise to community development organizations that serve low and moderate-income individuals and families. Management also volunteers time and technical expertise to educational homebuying workshops and financial planning counseling. South Shore Savings Bank's Service performance is considered to be excellent and receives a rating of "Outstanding."

South Shore Savings Bank is assigned a "High Satisfactory" rating overall, based on the institution's performance under the Lending, Investment, and Service Tests. A detailed description of the bank's efforts, and results of those efforts, is detailed throughout this public evaluation.

### **LENDING, INVESTMENT, AND SERVICE TEST TABLE**

The following table indicates the performance level of **SOUTH SHORE SAVINGS BANK, SOUTH WEYMOUTH, MASSACHUSETTS**, with respect to the lending, investment, and service tests.

<b>PERFORMANCE TESTS</b> <b>South Shore Savings Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			<b>X</b>
High Satisfactory	<b>X</b>	<b>X</b>	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

South Shore Savings Bank is a mutually owned institution that was formed on October 1, 1997, through the merger of Weymouth Savings Bank and South Weymouth Savings Bank, two institutions that had been serving the Weymouth area with loan and deposit services for over a century. The bank has six wholly owned subsidiaries. Three were created to retain and reinvest various portions of the bank's securities portfolio. The others are used to hold bank-owned real estate (the buildings housing the bank's headquarters, its loan operations center, and branch offices) and bank-owned vehicles. In addition, management established the South Shore Savings Bank Charitable Foundation, a nonprofit corporation that makes annual charitable contributions to a variety of organizations serving Weymouth and surrounding communities.

As of the December 31, 2002, FFIEC Quarterly Call Report, the bank had \$734,791,000 in assets, 46.3 percent of which were in the form of loans. The bank is predominantly a real estate lender, with 85.5 percent of its loan portfolio centered in residential and/or commercial real estate.

The following table depicts the composition of South Shore Savings Bank's loan portfolio:

<b>Loan Portfolio as of December 31, 2002</b>		
Type of Loans	\$ (000s)	%
Construction & Land Development	40,173	11.8
Residential Real Estate		
a. 1-4 Family Mortgages	164,299	48.2
b. Home Equity Lines	12,519	3.7
Multifamily	10,240	3.0
Commercial Loans		
a. Commercial Real Estate	103,952	30.6
b. Commercial & Industrial Loans	5,815	1.7
Consumer Loans		
a. Credit Cards & Related Plans	150	0.1
b. Other (includes single payment installment, and all student loans)	3,089	0.9
LESS:		

a. Any unearned income	4	0.0
Total Gross Loans net of unearned income	340,233	100.0

Source: 12/31/02 Call Report

The bank sells a good volume of loans on the secondary market. The bank sold 538 loans totaling \$72.7 million from January 1, 2001 through December 31, 2002. The bank retains servicing rights for all loans sold.

Aggregate data utilized for lending performance purposes indicates that South Shore Savings Bank is operating in an extremely competitive mortgage market. Aggregate data, generated by PCI Services, Inc. CRA WIZ, consists of 429 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased residential mortgage and/or home improvement loans within the bank's assessment area in 2001. Of these lenders, South Shore Savings Bank ranked 27<sup>th</sup> with a market share of 1.0 percent. The top ten lenders consisted of seven mortgage companies and three much larger regional banks.

Local competitors include but are not limited to the following: Rockland Trust Company, Abington Savings Bank, Sovereign Bank, Hingham Institution for Savings, Citizens Bank of Massachusetts, Plymouth Savings Bank, as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result serves to keep the bank's rates and services offered competitive.

The bank's CRA Committee is comprised of the Chairman/CEO, President/COO, Senior Vice President Residential Lending, Vice President/CRA Officer, Vice President Residential Lending, Senior Vice Presidents/Commercial Loans or designee, Vice President/Marketing, and three Trustees. The Committee meets semi-annually and is responsible for overseeing the bank's CRA and fair lending efforts.

There are no financial or legal impediments that would limit the bank's ability to meet the credit needs of the assessment area. The Federal Deposit Insurance Corporation (FDIC) last examined the bank for CRA compliance on July 9, 2001. That examination resulted in an overall rating of Satisfactory. The Division of Banks last examined the bank's performance with respect to CRA on November 24, 2000. That examination resulted in an overall rating of Satisfactory.



## Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. The bank's assessment area contains 16 cities and towns located in the Boston-NH and Brockton MSAs.

South Shore Savings Bank's assessment area consists of the following city and towns:

- Boston-NH MSA: the City of Quincy and the Towns of Braintree, Cohasset, Hanover, Hingham, Hull, Marshfield, Norwell, Pembroke, Rockland, Scituate and Weymouth.
- Brockton MSA: the Towns of Abington, East Bridgewater, Hanson and Whitman.

The assessment area is comprised of 72 census tracts, of which 1 or 1.4% is designated as low-income; 2 or 2.8%, as moderate-income; 55, or 76.4%, as middle-income; 13 or 18.0%, as upper-income, and 1 or 1.4% with no income designation. The one low-income and two moderate-income census tracts are in Quincy. The census tract with no income designation is #5062.01 (Cranberry Bogs) located in Marshfield.

Demographic data obtained from CRA WIZ, based on 1990 census data, indicates that the bank's assessment area contains a total population of 347,700 individuals. There are 136,623 housing units within the assessment area, of which 64.0 percent are owner-occupied, 29.6 percent are rental-occupied, and 6.4 percent are vacant housing units. In addition, 5.9 percent of the households in the assessment area are below the poverty level.

The following table provides demographic and economic information pertaining to the bank's assessment area.

<i><b>Selected Housing Characteristics by Income Category of the Geography</b></i>							
<i><b>Geographic Income Category</b></i>	<i><b>Percentage</b></i>						<i><b>Median Home Value</b></i>
	<i><b>Census Tracts</b></i>	<i><b>Households</b></i>	<i><b>Housing Units</b></i>	<i><b>Owner- Occupied</b></i>	<i><b>Rental Units</b></i>	<i><b>Vacant Units</b></i>	
Low	1.4	20.2	1.0	0.4	2.3	0.4	\$139,600
Moderate	2.8	15.4	4.0	2.0	8.4	3.5	\$140,446
Middle	76.4	21.1	78.1	76.0	81.7	82.8	\$160,450
Upper	18.0	43.3	16.9	21.6	7.6	13.3	\$220,961
N/A	1.4	-	-	-	-	-	-
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>\$169,689</b>

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

#### **Scope of Evaluation**

This evaluation considers the bank's residential and small business lending activities for January 1, 2001, through December 31, 2002. Included within the residential portfolio are conventional purchase money mortgages, refinance mortgages, home improvement loans and multi-family loans. The 2001 and 2002 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) provided information on residential lending. Data for the small business loans were obtained from loan origination information provided by the bank under format specified by the CRA Regulations.

#### **I. Lending Activity**

South Shore Savings Bank's lending levels reflect a good responsiveness to the assessment area's credit needs. The bank had total assets of \$735 million as of December 31, 2002. Net loans totaled \$335 million or 45.6 percent of total assets.

The bank's net loans and leases to assets ratio of 45.6 percent as of December 31, 2002 does not include the \$72 million of residential real estate mortgage loans originated by the bank that were sold to other secondary market investors. The peer group's net loans and leases to assets ratio for the same period was 62.1 percent, placing the bank in the 13th percentile. In addition, the bank's net loans to deposits ratio was 60.4 percent for the same period. The peer group's ratio was 81.6 percent placing the bank in the 15<sup>th</sup> percentile. The bank's ratios are lower than its peers; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences and without regard to loans originated by the bank, but sold in the secondary market.

As mentioned in the performance context section of this public evaluation, South Shore Savings Bank is primarily a real estate lender with 51.9 percent of gross loans secured by one-to-four family residential properties and 3.0 percent of the portfolio secured by multifamily - five or more residential properties. In addition, the bank has 30.6 percent of gross loans secured by non-farm nonresidential properties.

According to information obtained from CRA Wiz, South Shore Savings Bank is operating in a very competitive market with 429 lenders originating and/or purchasing HMDA reportable loans within the bank's assessment area. In 2001, the most recent information available, South Shore Savings Bank ranked 27<sup>th</sup> out of 429 lenders. The majority of the top ten lenders consist of large national mortgage companies and three larger banks.

### ***HMDA Loans***

The bank's lending reflects a good responsiveness to the credit needs of the assessment area, considering the bank's volume of lending. The bank originated a total of 1,332 HMDA reportable loans totaling \$205,379,000 between January 1, 2001 through December 31, 2002. In addition, during this evaluation period, the bank sold a total of 538 mortgage loans totaling \$72,756,785. The large majority of these sales were in 2002, when the bank sold 498 mortgage loans for a total of \$68,110,285.

Weymouth accounted for the largest percentage of originations by number with 44.0 percent, followed by Quincy with 9.4 percent. Weymouth also accounted for the largest dollar volume of originations with 39.1 percent, followed by Quincy with 9.6 percent.

The following table depicts the number and dollar volume of HMDA reportable loans granted within the bank's assessment area during the evaluation period.

<b><i>Distribution of HMDA Reportable Loans Inside and Outside of the Assessment Area</i></b>										
<b><i>Year</i></b>	<b><i>Inside</i></b>				<b><i>Outside</i></b>				<b><i>Total</i></b>	
	<b><i>Number of Loans</i></b>		<b><i>Dollar in Loans (000s)</i></b>		<b><i>Number of Loans</i></b>		<b><i>Dollars in Loans (000s)</i></b>		<b><i>Number of Loans</i></b>	<b><i>Dollars in Loans (000s)</i></b>
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>\$</i></b>
<b>2001</b>	300	82.0	37,401	66.4	66	18.0	18,971	33.6	366	56,372
<b>2002</b>	749	77.5	104,675	70.3	217	22.5	44,332	29.7	966	149,007
<b>Total</b>	<b>1,049</b>	<b>78.8</b>	<b>142,076</b>	<b>69.2</b>	<b>283</b>	<b>21.2</b>	<b>63,303</b>	<b>30.8</b>	<b>1,332</b>	<b>205,379</b>

Source: HMDA /LAR, CRA Wiz

As indicated in the above table, 78.8 percent of the total number and 69.2 percent of the total dollar volume of all residential mortgages were granted within the bank's assessment area. Of the mortgages originated in the assessment area, 81.7 percent were refinances,

13.5 percent were conventional home purchase, 3.9 percent were home improvement, and 0.9 percent were multi family property loans.

The total number and dollar volume of loans originated by the bank in 2002 increased substantially from the number and dollar volume originated in 2001. The largest increase occurred in the number of home refinances, which increased from 256 loans in 2001 to 822 loans in 2002. This increase in refinances is attributed to mortgage interest rates reaching historic lows in 2002. As the interest rates decreased, the number of borrowers taking advantage of the lower rates by refinancing their mortgages increased significantly. In addition, the bank hired a new Senior Residential lender and three originators who are very experienced in the area.

### ***Small Business Loans***

For CRA purposes, a small business loan is defined as “a loan with an original amount of \$1 million or less that is: secured by nonfarm, nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions.”

South Shore Savings Bank’s small business loans were reviewed to determine the amount of credit extended within the bank’s delineated assessment area. During 2001 and 2002, the bank originated a total of 81 small business loans, of which 71 or 87.7 percent of the total were to businesses within the bank’s assessment area.

<b><i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i></b>										
<b><i>Year</i></b>	<b><i>Inside</i></b>				<b><i>Outside</i></b>				<b><i>Total</i></b>	
	<b><i>Number of Loans</i></b>		<b><i>Dollar in Loans (000s)</i></b>		<b><i>Number of Loans</i></b>		<b><i>Dollars in Loans (000s)</i></b>		<b><i>Number of Loans</i></b>	<b><i>Dollars in Loans (000s)</i></b>
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>\$</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>\$</i></b>
<b>2001</b>	45	93.8	12,437	92.7	3	6.2	980	7.3	48	13,417
<b>2002</b>	26	78.8	6,290	75.2	7	21.2	2,073	24.8	33	8,363
<b>Total</b>	<b>71</b>	<b>87.7</b>	<b>18,727</b>	<b>86.0</b>	<b>10</b>	<b>12.3</b>	<b>3,053</b>	<b>14.0</b>	<b>81</b>	<b>21,780</b>

Source: CRA Data Collection

Overall, the bank’s level of HMDA-reportable and small business lending reflects a good responsiveness to the credit needs of the assessment area based on the size of the bank, its financial condition, and the strong local competition.

## II. Geographic Distribution

HMDA-reportable and small business loans located within the bank's assessment area were further analyzed to determine their location by census tract income level.

### ***HMDA loans***

The table below shows the number of HMDA reportable loans in comparison to the number of owner-occupied housing units in each census tract. In addition, the bank's HMDA reportable loans were compared to that of aggregate HMDA reporters in the assessment area. Aggregate HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis is for calendar year 2001. Refer to the following table for details.

<b><i>Distribution of HMDA Loans by Income Category of the Census Tract</i></b>								
<b><i>Census Tract Income Level</i></b>	<b><i>% Total Owner-Occupied Housing Units</i></b>	<b><i>Aggregate Lending Data (% of #)</i></b>	<b><i>2001</i></b>		<b><i>2002</i></b>		<b><i>Total</i></b>	
			<b><i>2001</i></b>					
Low	0.4	0.3	#	%	#	%	#	%
Moderate	2.0	2.3	0	0.0	1	0.1	1	0.1
Middle	76.0	76.1	8	2.7	10	1.3	18	1.7
Upper	21.6	21.4	251	83.7	618	82.5	869	82.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>300</b>	<b>100.0</b>	<b>749</b>	<b>100.0</b>	<b>1,049</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Only one loan or 0.1 percent was granted in the one low-income census tract. However, only 0.4 percent of the owner occupied properties within the assessment area are located here. According to 1990 census data, the majority of the housing units (73 percent) in this area are rental properties, which limits the demand for residential credit in this census tract. In addition, approximately 31 percent of the households in this low-income census tract live below the poverty level making homeownership extremely difficult.

The bank made a total of 18 loans or 1.7 percent in moderate-income tracts during the period examined. This is consistent with the proportion of total owner-occupied housing

units (2.0 percent) in these census tracts. Additionally, the bank's performance in lending in moderate-income census tracts was compared to the aggregate lenders in 2001. The bank's performance was better than that of the aggregate as well as the total percentage of owner occupied housing units. The percentage of South Shore Savings Bank lending activity in moderate-income census tracts was 2.7 percent by number, in comparison to the aggregate's 2.3 percent and the 2.0 percent of owner occupied housing units.

The majority of loans or 82.8 percent were originated in middle-income census tracts and this percentage is consistent with the proportion of owner-occupied housing units in these tracts of 76.0 percent.

### **Small Business Loans**

South Shore Savings Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. The following tables depict this distribution.

<i><b>Distribution of Small Business Loans by Income Category of the Census Tract</b></i>						
<i><b>Census Tract Income Level</b></i>	<i><b>2001</b></i>		<i><b>2002</b></i>		<i><b>Total</b></i>	
	<i><b>#</b></i>	<i><b>%</b></i>	<i><b>#</b></i>	<i><b>%</b></i>	<i><b>#</b></i>	<i><b>%</b></i>
Low	0	0.0	0	0.0	0	0.0
Moderate	5	11.1	2	7.7	7	9.8
Middle	32	71.1	22	84.6	54	76.1
Upper	8	17.8	2	7.7	10	14.1
<b>Total</b>	<b>45</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>

Source: CRA data collection, CRA Aggregate Lending Data

The bank made a good number of loans, 7 or 9.8 percent, in moderate-income census tracts. No small business loans were made in the one low-income census tract. The majority of loans or 76.1 percent were made in middle-income census tracts.

Based on the above information, the bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects a reasonable dispersion of loans throughout the assessment area, given the strong level of competition within the assessment area. In addition, the bank's performance in the moderate-income census tracts when compared to the aggregate in 2001 is good.

### **III. Borrower Characteristics**

The bank's HMDA loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston-NH Metropolitan Statistical Area (MSA) and the Brockton MSA, depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. The

incomes for the Boston-NH MSA for 2001 and 2002 are \$70,000 and \$74,200, respectively and \$61,300 and \$63,500, respectively for the Brockton MSA.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

### **HMDA Loans**

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group. In addition, the distribution of the bank's loans among various borrower income levels was compared to that of all other HMDA-reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2001.

<b><i>Distribution of HMDA Loans by Borrower Income</i></b>								
<b><i>Median Family Income Level</i></b>	<b><i>% Total Households</i></b>	<b><i>Aggregate Lending Data (% of #)</i></b>	<b><i>2001</i></b>		<b><i>2002</i></b>		<b><i>Total</i></b>	
		<b><i>2001</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
Low	20.2	3.4	15	5.0	55	7.3	70	6.7
Moderate	15.4	15.7	45	15.0	142	19.0	187	17.8
Middle	21.1	25.9	107	35.7	235	31.4	342	32.6
Upper	43.3	38.2	124	41.3	307	41.0	431	41.1
Income N/A	-	16.8	9	3.0	10	1.3	19	1.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>300</b>	<b>100.0</b>	<b>749</b>	<b>100.0</b>	<b>1,049</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

For the period under review, the bank extended 70 loans to low-income borrowers representing 6.7 percent of the total loans originated or purchased within the assessment area. Although this percentage is well below the 20.2 percent of low-income households within the assessment area, the number of loans is favorable considering the mortgage loan demand from borrowers in this income category is typically lower than that of the other income groups.

The bank extended 187 loans to moderate-income borrowers, representing 17.8 percent, which is also very favorable. The low interest rate environment helped many moderate-income borrowers to qualify for a mortgage. The percentage is above the 15.4 percent of moderate-income households within the assessment area. Loans to middle and upper-

income borrowers are also favorable when compared to the middle and upper-income households distributed within the assessment area.

As indicated above, the distribution of the bank's 2001 HMDA reportable loans to low-income borrowers exceeds other HMDA reporters within the assessment area. The bank originated 5.0 percent of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 3.4 percent.

HMDA-reportable loans to moderate-income borrowers accounted for 15.0 percent within the assessment area and mirror the aggregate's 15.7 percent.

The distribution of HMDA-reportable loans by borrower income demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income.

### ***Small Business Loans***

Small business loans originated within the bank's assessment area were analyzed to determine the typical loan amount at origination. Of the 71 small business loans originated in the bank's assessment area, 32 had original loan amounts of \$100,000 or less. Refer to the table below.

<b><i>Distribution of Small Business Loans by Loan Size</i></b>						
<b><i>Loan Size (000s)</i></b>	<b><i>2001</i></b>		<b><i>Year-to-date 2002</i></b>		<b><i>Total</i></b>	
	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
\$100 or Less	19	42.3	13	50.0	32	45.1
> \$100 - \$250	11	24.4	4	15.4	15	21.1
> \$250 - \$1,000	15	33.3	9	34.6	24	33.8
<b>Total</b>	<b>45</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>

Source: CRA Data Collection

Small business loans originated within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated (67.6%) were granted to small businesses with annual revenues of \$1 million or less, which shows that the bank is meeting the credit needs of the small and medium sized businesses. The following table depicts the distribution of small business loans within the bank's assessment area by revenues of the business.

<b><i>Distribution of Small Business Loans by Gross Annual Revenues of Business</i></b>			
<b><i>Gross Annual Revenues (000s)</i></b>	<b><i>2001</i></b>	<b><i>2002</i></b>	<b><i>Total</i></b>



	#	%	#	%	#	%
<= \$1,000	30	66.7	18	69.2	48	67.6
> \$1,000	15	33.3	8	30.8	23	32.4
<b>Total</b>	<b>45</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>

Source: CRA Data Collection

Based on the information above, the bank's lending to borrowers of different income levels and businesses of various sizes with small business loans reflects a good distribution.

#### IV. Community Development Lending

South Shore Savings Bank has granted a reasonable level of qualified community development loans.

Community development includes providing affordable housing for low and moderate-income individuals, promoting activities for economic development by financing small businesses, and lending that revitalizes or stabilizes low or moderate-income geographies. A community development loan is a loan that:

- Has as its primary purpose community development
- Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and
- Benefits the bank's assessment area or a broader statewide or regional area that includes the assessment area.

Described below is the bank's community development lending activity.

In January 2002, the bank extended a \$53,500 unsecured term loan to a local non-profit organization to rehab a facility located in Weymouth. This organization provides citizens with disabilities the opportunity to take their place as productive members of the community.

In August 2002, the bank extended a \$1,265,000 to a developer for the construction of 10 residential apartments in Hingham. A portion of these units will be designated as affordable and the Town of Hingham's Department of Housing will determine occupancy.

During the examination, the bank extended two loans totaling \$1,550,000 for land development and construction of 28 single-family units in Abington. Seven of the units will be designated as affordable and sold via lottery.

In addition, the bank extended three HMDA reportable loans totaling \$445,000 to non-profit organizations that provide housing for homeless veterans in the Quincy and Weymouth area.

## **V. Innovative or Flexible Lending Practices**

South Shore Savings Bank designs and participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers. The bank's innovative and/or flexible lending practices serve the assessment area's credit needs. Details of these programs are as follows.

### **In House Flexible Lending Program**

The bank offers its own flexible lending program for 15 and 30-year fixed rate mortgages with zero points, zero closing cost, and a minimum loan amount of \$120,000. In 2001, 48 loans totaling \$4,565,600 were originated. There was no tracking of this product during 2002.

### **Massachusetts Housing Finance Agency (MHFA)**

The bank offers first-time homebuyers products through the MHFA program. These programs provide mortgage funds for first time homebuyers with limited income levels. Loans are 30 year fixed with 97% LTV and maximum debt to income ratios of 33/41 with a Homebuyer Counseling Certificate. In addition, one program includes a \$500 rebate of closing costs. During 2001, the bank originated 18 loans totaling \$2,933,750. During 2002, the bank originated 15 loans totaling \$3,033,700.

### **Municipal Mortgage Program**

During 2001, the bank in partnership with Mass. Housing introduced the Municipal Mortgage Program. Under this program, the bank offers 100% financing to qualified borrowers who are full-time municipal employees and wish to purchase a single family home or condominium. Terms include lower interest rates, lower attorney's fees, a first time homebuyer credit of \$500 and flexible underwriting ratios. During 2001, the bank

originated one loan for \$180,000 and during 2002, the bank originated three loans totaling \$583,000.

### **Take The “T” Affordable Housing Program**

During 2002, the bank introduced this program that offers a 30-year fixed rate or 5/1 year ARM and 100% LTV to eligible applicants. To be eligible an applicant must be a first time homebuyer and a demonstrated user of public transportation. No loans have been originated under this new program.

### **Homeowner Options for Massachusetts Elders (HOME)**

South Shore Savings Bank is part of the network of Massachusetts lending institutions affiliated with the HOME Program. HOME is an independent non-profit agency dedicated to helping low and moderate-income seniors with financial and housing counseling and assistance. The program provides education with regard to property taxes, home repairs, in-home care, and equity conversion. The bank's involvement with HOME includes referring identified customers to the organization for assistance, participating in community outreach and education activities, and offering various lending products including reverse mortgages and senior equity lines of credit. During 2001 and 2002, the bank granted no loans under this program. However, during February 2003, the bank originated two reverse mortgages totaling \$475,200 in association with the program.

### **Homefront Financial Security Loan Program**

During the fall of 2002, the bank introduced this program which offers low-interest loans to Reservists and National Guard members through the Commonwealth of Massachusetts' Homefront Financial Security Loan Program. The program is available to all active Reservists and Massachusetts National Guard members in the hopes of helping military men, women and families get through the financial constraints often associated with deployment. These members are eligible to borrow \$10,000 at a low 3% interest rate. The bank has made no loans under this program to date.

### **Student Loans**

The bank processes applications for student loans for “SallieMae”, the national originator and servicer of the National Guaranteed Student Loan program. The bank does not keep records regarding the number of applications distributed.

## **VI. Fair Lending Policies and Practices**

South Shore Savings Bank has established a fair lending policy statement. The bank's fair lending policy states that it will aggressively detect and eliminate discrimination in lending. The bank's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

Bank management ascertains the credit needs of the assessment area through their involvement in numerous area organizations and programs. The bank markets its services and products to the community through a variety of media including print, television, and radio. Educational seminars are also conducted throughout the assessment area in order to make potential customers aware of the services the bank provides.

The bank has a formal Second Review Policy that is incorporated within its Lending Policy. The policy stated that it is the practice of the bank to conduct a second review of all loans recommended for denial before the adverse action notice is sent. This review is conducted by a second loan officer with sufficient authority to act on the loan amount requested. If the second review decision does not concur with the original decision, the Senior Vice President/Residential Lending Officer or the Vice President/Residential Lending Officer has the authority to reverse the original decision.

The CRA Officer conducts a review of its HMDA/LAR data with the use of maps and tables provided yearly by BankMaps, Inc.

The bank has its outside compliance firm conduct periodic fair lending and compliance audits and review the bank's compliance.

In addition, a review was conducted for compliance with fair lending laws and regulations and no violations were noted.

### **Minority Application Flow**

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 2001, through December 31, 2002, the bank received 1,148 residential loan applications from within its assessment area. Of these applications, 39 or 3.4 percent, were received from minorities. Of these, or 87.1 percent were approved. Refer to the following table for further details.

<b>MINORITY APPLICATION FLOW*</b>				
<b>RACE</b>	<b>AGGREGATE DATA 2001</b>	<b>South Shore Savings Bank 2001</b>	<b>South Shore Savings Bank 2002</b>	<b>South Shore Savings Bank TOTAL</b>

	#	%	#	%	#	%	#	%
<i>Native American</i>	95	0.2	0	0.0	3	0.4	3	0.3
<i>Asian</i>	992	2.4	2	0.6	10	1.2	12	1.0
<i>Black</i>	195	0.5	0	0.0	2	0.2	2	0.2
<i>Hispanic</i>	230	0.5	0	0.0	4	0.5	4	0.3
<i>Joint Race</i>	364	0.9	7	2.0	10	1.2	17	1.5
<i>Other</i>	248	0.6	1	0.3	0	0.0	1	0.1
<b>Total Minority</b>	<b>2,124</b>	<b>5.1</b>	<b>10</b>	<b>2.9</b>	<b>29</b>	<b>3.5</b>	<b>39</b>	<b>3.4</b>
<i>White</i>	27,040	64.5	311	90.4	744	92.6	1,055	91.9
<i>NA</i>	12,783	30.4	23	6.7	31	3.9	54	4.7
<b>Total</b>	<b>41,947</b>	<b>100.0</b>	<b>344</b>	<b>100.0</b>	<b>804</b>	<b>100.0</b>	<b>1,148</b>	<b>100.0</b>

\*Source: PCI Services, Inc., CRA Wiz Software.

According to 1990 Census Data, the bank's assessment area contained a total population of 347,700 individuals of which 4.0 percent are minorities. The minority population is 0.1 percent Native American, 2.1 percent Asian, 0.7 percent Black, 0.9 percent Hispanic and 0.2 percent other.

Aggregate information indicated that, of the 41,947 HMDA-reportable applications received from other institutions within the assessment area in 2001, 5.1 percent were from minorities. In comparison, South Shore Savings Bank's minority application flow is not proportionate with the aggregate nor with the assessment area's demographics. However, there is a marked improvement in the bank's lending to minorities in 2002.

## ***VII. Loss of Affordable Housing***

The bank's participation in community development projects and government lending programs, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

## **CONCLUSION (Lending Test)**

Taking into account the number and amount of HMDA-reportable and small business loans in its assessment area, South Shore Savings Bank has demonstrated a good responsiveness to the assessment area's credit needs. A majority of the bank's HMDA reportable and small business loans are located within the assessment area. The bank's geographic distribution by census tracts indicates a good dispersion throughout its assessment area. The bank's lending to individuals of various levels of income signifies an excellent distribution. The bank has an established record of serving the credit needs of low and moderate-income individuals. The institution has granted a satisfactory level of

community development loans. In addition, the bank's fair lending performance was found to be reasonable at this time. Therefore, the institution's lending performance receives an overall rating of "High Satisfactory."

## INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The following describes the institution's qualified investments.

**FNMA Mortgage Backed Securities Pool:** On June 22, 1999, and September 24, 1999, the bank invested \$500,000 in FNMA MBS that are targeted toward low and moderate-income residents. The current book value is approximately \$477,653. This pool was for a low-income rental project in East Weymouth called Queen Anne's Gate. Twenty-seven apartment units receive Section 8 rent supplement vouchers that expire in 2018. The securities are rated AAA and are fully guaranteed by FNMA.

**FNMA:** On March 13, 2003 the bank invested \$1,118,613 in a FNMA MBS. This security encompasses loans in South Weymouth, Abington, Braintree, Weymouth and Quincy

granted to low and moderate-income borrowers. The current book value is approximately \$1,118,613.

**MHFA CRA Fund:** In September of 2000, the bank purchased a mortgage backed security from the Massachusetts Housing Finance Agency CRA Fund (MHFA) for a total of \$453,340. The current book value is approximately \$32,112. This security encompasses loans in Massachusetts: Revere, Beverly, Stoughton, Framingham, Norwood, Lowell and Hyde Park. Although this investment does not directly benefit the bank's assessment area, it does benefit a broader statewide or regional area that includes South Shore Savings Bank's assessment area.

**FHLMC:** On May 21, 2002 the bank purchased a mortgage backed security from FHMLC for a total of \$1,321,795. The current book value is approximately \$903,553. This security encompasses loans to moderate-income borrowers in Massachusetts: Newton, Tewksbury, Brookline, Lakeville, Plymouth, Jamaica Plain, Boston and Westminster. Although this investment does not directly benefit the bank's assessment area, it does benefit a broader statewide or regional area that includes South Shore Savings Bank's assessment area.

### ***Charitable contributions***

Other forms of qualified investments consist of charitable contributions. From January 1, 2001 through December 31, 2002, the bank granted over \$288,727 in donations, of which approximately \$176,189 or 61.0 percent were considered to be qualified investments as defined under the CRA regulation. In addition, the bank established the South Shore Savings Charitable Foundation in March of 1998, with an initial endowment of over \$300,000. This private charitable foundation was established with the purpose of providing a vehicle to facilitate the bank's ongoing contributions to local civic and charitable causes. In the two fiscal years ending March 31, 2003, the charitable foundation granted \$117,400 in total donations. Of these, \$101,400 or 86.4 percent was qualified.

The majority of the organizations that have received grants from the bank and the charitable foundation provide affordable housing, shelter, health care, mental health counseling, credit counseling, homebuyer education, small business promotions, education and training and youth programs for individuals in need. Some of the entities receiving donations from the bank and/or the charitable foundation include:

**Caritas Communities**, located in Braintree, this organization purchases and maintains single family rooming houses for very low-income working adults.

**Interfaith Social Services**, a multi-religious group from the City of Quincy. This group runs food pantries and clothes closets, helping families in need and helping people get back into the working world.

**South Shore Health and Educational Foundation**, an organization providing health care to residents of the assessment area. A percentage of the organization's funds are specifically used to provide care to low-income people.

**Old Colony YMCA**, an organization that offers programs for low and moderate-income youth and their families.

**Homeowner Options for Massachusetts' Elders (H.O.M.E.)**, a nonprofit organization that provides financial counseling to low and moderate-income elder Massachusetts residents.

**Road to Responsibility, Inc.**, this organization provides training to handicap adults so they can enter the work force. Part of the donation was for the renovation of a function hall at the former South Weymouth Naval Air Base that will provide employment for several handicap individuals in this program.

**Consumer Credit Counseling Service of Southern New England**, a nonprofit organization that provides financial counseling and educational programs for families and individuals.

**The Dianne De Vanna Center**, which provides care for abused and neglected children residing in the South Shore area.

**Neighborhood Housing Services of the South Shore, (formerly the Quincy Neighborhood Housing Services)**, a public, private partnership devoted to neighborhood revitalization by promoting, developing, and maintaining affordable housing.

**Quincy Interfaith Sheltering Coalition (Father Bill's Place)**, a Quincy based homeless shelter and provider of related services to the South Shore community.

**South Shore Habitat for Humanity**, a not for profit organization assists families in attaining home ownership through self-help and outside donations of cash, materials and labor. Home construction is accomplished primarily through volunteer laborers who build houses that are then sold to selected low-income families.

**South Shore Association for Retarded Citizens (ARC)**, a nonprofit organization that assists developmentally disabled individuals and families in making the transition to life in the community through job training, employment, housing and social services.

**Weymouth Food Pantry**, an organization that provides food to low and moderate-income families and individuals.



**WORK, Inc.**, a nonprofit organization providing workshops and residential programs for developmentally disabled individuals.

### **CONCLUSION (Investment Test)**

As depicted above, South Shore Savings Bank has a good level of qualified community development investments and contributions, and has exhibited good responsiveness to credit and community economic development needs. Therefore, based on the bank's size and resources and the credit needs of the assessment area, the bank's investment performance is rated "High Satisfactory."

### **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low and moderate-income geographies or that primarily serve low or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low, moderate, middle, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

The bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. Retail banking services and products appear to offer consumers the flexibility and convenience expected from an institution of this size. In addition, officers and employees of South Shore Savings Bank have demonstrated an excellent level of involvement in community organizations located throughout its assessment area and have provided a high level of service activity in response to community needs. The following details the institution's services.

## **Retail Banking Services**

### ***Distribution of Branches***

South Shore Savings Bank, a Massachusetts state-chartered institution, is headquartered in South Weymouth at 1530 Main Street, which is designated as a middle-income census tract. This location also contains a full service branch. In addition to its main office, South Shore Savings Bank operates nine other full-service branch offices located throughout its assessment area. These offices are located in Weymouth (5), Quincy (2) and one each in East Bridgewater and Hanover. None of the offices are located in either a low or moderate-income level census tract; however, the bank's 138 Franklin Street Branch is located in close proximity to one of the two moderate-income census tracts located in the City of Quincy. The bank's systems for delivering retail-banking services are very accessible to geographies and individuals of different income levels within its assessment area.

One limited service branch office is located at Weymouth High School/Vocational High School. The school branch, staffed by students, is limited to students and school personnel and only operates during the school year. The program is called the "Scholars and Cents Program" and gives students "on-the-job" and classroom training in the banking field, as well as a real-life financial education. In addition, students are given a tour of the bank as well as the Federal Reserve Bank of Boston to better acquaint themselves with the inner workings of a bank.

### ***Record of Opening and Closing Branches***

A Branch Closing Policy is maintained by the bank and reviewed and approved by the Board on an annual basis. This policy outlines procedures to be followed should the decision be made to relocate or close an office. Since the previous FDIC examination no offices have been closed, however the bank did open a branch in East Weymouth in January of 2002.

### ***Alternative Banking Services***

Hours of operation are reasonable and compare favorably with other local financial institutions. Each of the ten full service offices offer extended hours to 6:00 PM two days per week and each branch offers Saturday hours from 8:30 AM until noon. Seven of the bank's full service offices offer the convenience of drive-up window service. Automated Teller Machines (ATMs) that are linked to the NYCE, Plus and SUM networks are also available 24 hours a day at each office location. The SUM network is a surcharge-free alliance of several financial institutions that include over 1,000 ATMs throughout Massachusetts. The bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo.

The bank offers customers 24-hour account access through its automated telephone banking system. By utilizing the telephone banking system, customers can access their accounts, obtain balance inquiries, transfer funds from one account to another, obtain current interest rate information, and determine loan payment information on a current loan or mortgage account. This service is available to all customers free of charge.

Bank by mail service is also provided to all of its customers and prospective customers. It is most commonly used by customers to mail in deposits and loan payments. The bank does not charge a fee for this service.

The bank offers Internet banking that is accessed through the bank's website ([www.sssb.com](http://www.sssb.com)). Available services include bill payment, deposit and loan balance verification, transaction histories, stop payments, and inter-account transfers. Both commercial businesses and consumers can use Internet banking. Mortgage loan pre-qualification applications may be submitted to the bank through the website. The bank is currently working with MortgagBot in developing on line mortgage applications.

### ***Other Services***

As a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, South Shore Savings Bank offers low cost savings and checking accounts to all segments of its assessment area, including those with modest incomes. Per MCBC guidelines, the bank offers a Basic Checking account, which features a flat \$3.00 monthly fee and 8 free withdrawals with no minimum balance. South Shore Savings also offers a "no minimum balance checking" account which features a flat \$6.00 monthly fee with unlimited check writing and no minimum balance. Customers with direct deposit are not charged a monthly fee and there is no minimum balance required.

South Shore Savings Bank offers a MasterMoney and ATM card. The MasterMoney and ATM card performs all of the same functions as an ATM card plus the added buying power of a MasterCard. When the debit card is used to make purchases at any merchant displaying the MasterCard symbol, the amount of the purchase is directly withdrawn from the customer's checking account. There is no fee charged to customers who use the debit card.

The bank also participates in the educational program "Savings Makes Cents", sponsored by the office of the State Treasurer, with the third, fifth and sixth graders at six elementary schools located throughout its assessment area. Four schools are located in Weymouth, one school is located in East Bridgewater and one school in Quincy. Although each student is encouraged to maintain an account with the bank, the bank focuses on the educational aspect of this program rather than the monetary aspect. Management's goal is to educate the students on the basics of money management. Twice a month, a bank representative visits the schools and holds educational presentations and collects deposits from approximately 450 children.

## **Community Development Services**

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. South Shore Savings Bank is considered highly pro-active within the community.

Throughout all levels of the bank, employees are involved in organizations that support the economic development, housing needs, and overall well being of the communities located within South Shore Savings Bank's assessment area. Following are examples of organizations that have been assisted by officers, trustees and employees of South Shore Savings Bank:

The bank's Chairman and CEO serves as a director for the **South Shore Health and Educational Foundation**, an organization providing health care to residents of the assessment area. A percentage of the organization's funds are specifically used to provide care to low-income people. The bank's Chairman and CEO is also a board member for **WORK, Inc.** This nonprofit organization provides housing and vocational programs for individuals that are developmentally disable. In addition, the Chairman and CEO uses his financial and lending expertise when he advises and assists the following nonprofit organizations on lending and underwriting issues: **Neighborhood Housing Service of the South Shore, Quincy Community Action Program, and the South Shore Habitat for Humanity.** This individual is also a director of the **Federal Home Loan Bank of Boston.**

The bank's President and COO serves on the Executive Committee of the **Weymouth Business Council** and the Board of Directors of the **South Shore Chamber of Commerce.**

A Vice President of the Commercial Loan Department serves on the Loan Pool Committee for **Quincy 2000.** Quincy 2000 is an economic development corporation providing practical educational services for start-up and unsophisticated businesses, including assistance in obtaining small business, non-traditional bank financing through the loan pool.

A Vice President of the bank is also on the board of directors of the **Quincy Interfaith Sheltering Coalition, Inc. (Father Bill's Place)**. Another Vice President serves as a board member of the **South Shore Association for Retarded Citizens (ARC)**. ARC is a nonprofit organization that assists developmentally disabled individuals and families in making the transition to life in the community through job training, employment, housing and social services.

A loan originator is chairperson of the **Abington Housing Partnership**, technical advisor of the **Commonwealth of Massachusetts Department of Housing and Community Development**, and is an instructor for the **Neighborhood Housing Services of the South Shore**. As a technical advisor at the state level, this individual consults towns and builders on the 40 B program, which is concerned with affordable housing. For the past several years, this loan originator has acted as an instructor for the Neighborhood Housing Workshop. These Workshops inform participants of the broad range of first time homebuyer assistance programs.

A Trustee and Chairperson of the Bank's CRA Committee is a founding member and instrumental in fundraising for the **Skylur J. Spagone Memorial Fund**. Money raised for this fund is used to sponsor and purchase uniforms and/or materials for children from East Bridgewater whose families can not afford to enroll them in sporting activities, theater, arts, dance and musical events. The bank's President is also a director for this memorial fund.

The same Trustee is also involved and uses her financial expertise to oversee funds for the **Old Colony YMCA**. This nonprofit, human service provider is headquartered in the City of Brockton and serves towns located within the bank's assessment area, including Abington, Bridgewater, East Bridgewater, Halifax, Hanover, Hanson, Marshfield, Pembroke, Rockland, and Whitman. The Old Colony YMCA has provided much benefit to the low-income community, specifically children. Funds have been used to send underprivileged children to summer camps. In addition, several other bank employees serve on various YMCA Division Committees. In addition, this trustee is on the Board of Directors of the East Bridgewater Business Association.

As a board member of the **Department of Social Services, South Coastal Area**, the bank's Vice President and Director of Human Resources assists this state agency with various business projects, including informing members on how to get or use credit.

The bank's Vice President/Compliance and CRA Officer is a member of the **Local Board on Homelessness** and a Director and Vice President of the **Neighborhood Housing Services of the South Shore**. The Local Board on Homelessness is a nonprofit coalition of homeless centers is run by the City of Quincy and provides technical assistance and financial guidance to the numerous shelters throughout the city.

A Vice President of the bank is a director of the **South Shore Day Care Service**. This agency provides affordable childcare services targeted toward low-income parents and at-

risk children. Tuition is based on families' incomes. Reportedly, two thirds of the families have low-incomes and would not be able to work without South Shore Day Care Services' programs. The service currently operates twelve day cares that are located throughout the bank's assessment area.

Another Vice President of the bank is a founding member of **South Shore Chamber Women's Business Connection**. This group provides technical and financial assistance to start up and women businesses. In addition, this Vice President serves on the fundraising committee for **Road to Responsibility, Inc.**

The Vice President/Compliance and CRA officer is a member of the **Commissioner of Banks' Mortgage Review Board**. These individuals review declined loan applications from bank's throughout Massachusetts to ensure that the decline is justified.

Other organizations that officers and employees lend their technical expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area.

The bank also allows various groups to use conference rooms in its main office for meetings.

### **Federal Home Loan Bank (FHLB) Affordable Housing Program Submissions**

The bank assists local community organizations with filing applications to the Federal Home Loan Bank (FHLB) to secure grants for the development of affordable housing for low income individuals. The following is the bank's most recent effort in providing this service.

In October of 2002, the bank expended considerable time and effort competing for funds on behalf of an area organization. Although the grant was not awarded to the organization, an excellent rating was attained.

In April 2003, the bank sponsored an \$82,000 FHLB Affordable Housing Program (AHP) grant to Road to Responsibility Inc. (RTR) to renovate residential housing in Marshfield currently used to house RTR clients.

### **Loan Servicing Agreements**

South Shore Savings Bank also services 93 loans totaling approximately \$2,055,847 for area organizations with no fee. The bank services 43 affordable housing loans totaling \$819,536 for the Neighborhood Housing Services of the South Shore; 25 low/moderate income home improvement loans for the Town of Weymouth; 25 affordable housing loans for the South Shore Habitat for Humanity.

### **Educational Seminars**

South Shore Savings Bank has conducted and participated in seminars designed to educate consumers about banking and products available to meet their specific needs. These events provide opportunities for bank representatives to inform those in attendance about the products and services that are offered by the bank and to gain information about credit needs in the community. A sample of the bank's involvement since the previous examination is detailed below.

In February, 2001, the bank along with South Shore Cooperative Bank and Weymouth Cooperative Bank jointly sponsored a two day first time homebuyer workshop held at South Shore Savings Bank and coordinated by Neighborhood Housing Services (NHS). Fifty attendees received training on all aspects of home searching, buying, insuring, borrowing and owning.

In August 2001, the bank sponsored the NHS of the South Shore first time homebuyer seminars. The program was a 2-day seminar held on consecutive Saturdays.

In September 2001, a loan officer of the bank in conjunction with a representative from Neighborhood Housing Services of the South Shore conducted a two part first time homebuyer seminar.

On October 5, 2001, two representatives from the bank visited an economics class at Weymouth High School regarding lending, credit and the economy.

A mortgage originator for the bank participated in a First Time Homebuyer Workshop, in conjunction with Neighborhood Housing Services (NHS). The workshop, which was held on June 1 and 8, 2002 was sponsored by South Shore Savings Bank.

On June 19, 2002, this same originator participated in a Section 8 Homeownership Workshop.

Seminars were held on April 24, 2002 and November 1, 2002 at the Abington Town Hall and the Weymouth Town Hall, respectively. These informational seminars were on behalf of the Municipal Employee Loan Program.

## **CONCLUSION (Service Test)**

Overall, the bank's area of strength under the Service Test rests upon its strong performance in providing community development services. Bank personnel's involvement and dedication to numerous economic development and affordable housing organizations is evident of South Shore Savings Bank's commitment to its assessment area. The bank also maintains an established branch presence throughout its assessment area and delivery systems are accessible to essentially all portions of the assessment area. South Shore Savings Bank's performance under the Service Test is considered to be "Outstanding."





## **APPENDIX A**

### **SCOPE OF EXAMINATION**

South Shore Savings Bank defines its assessment area as the City of Quincy and the towns of Abington, Braintree, East Bridgewater, Cohasset, Hanson, Hanover, Hingham, Hull, Marshfield, Norwell, Pembroke, Rockland, Scituate, Whitman, and Weymouth. The institution's CRA performance was reviewed using the large bank examination procedures. The time period covered in this examination was January 1, 2000, through December 31, 2002, using data as available.

All HMDA-reportable loans recorded on the 2001 and 2002 Loan Application Registers were included in the evaluation of the bank's lending performance. In addition, all loans recorded on the 2001 and 2002 Small Business Loan Register (as defined under the data collection requirements of the CRA regulation) were included in the evaluation of the bank's lending performance. Comparative analysis obtained from CRA WIZ was reviewed during the examination for calendar year 2001.

Qualified investments were also reviewed. The bank purchased two mortgage backed securities during the examination period and maintains two additional investments noted in the prior FDIC examination. In addition, the bank participates in qualified investments through its participation in the provision of grants directed at low and moderate-income individuals and areas.

In addition, the bank's systems for delivering retail banking services and the provision of service activities primarily for community development purposes and related to the provision of financial services were considered. This section of the examination was considered "Outstanding."

## **APPENDIX B**

### **METROPOLITAN STATISTICAL AREAS**

#### **1. BOSTON MSA**

##### **A. Bank Operations and Performance Context**

The Boston MSA contains nine of the bank's offices – six in Weymouth, including the main office, two in Quincy and one Hanover. This portion of the assessment area has a population of 300,511 made up of 112,232 family households. Of these, 20.4 are low-income, 15.5% are moderate-income, 20.9% are middle-income and 43.2 are upper-income. The area contains a total of 60 census tracts. One of these is low-income, two are moderate-income, 43 are middle-income and, 13 are upper-income and one is designated with no income. The low and moderate-income census tracts are in Quincy and the census tract designated with no income is a cranberry bog in Marshfield.

##### **B. Conclusions with Respect to Performance Tests**

The portion of mortgage loans originated and purchased by the bank in the Boston MSA portion of the assessment area represents 89.6% of the number and 90.0% of the dollar volume of all loans inside its assessment area.

Small business lending in this MSA represents 77.5% of the total number and 76.0% of the total dollar volume originated by the bank inside its assessment area.

## **II. BROCKTON MSA**

### **A. Bank Operations and Performance Context**

The Brockton MSA portion of the assessment area contains one of the bank's branches located in East Bridgewater. This portion of the assessment area has a population of 47,189 made up of 15,586 family households. Of these, 18.5% percent are low-income, 14.3% are moderate-income, 22.5% middle-income, and 44.7% upper-income. The area contains a total of 12 census tracts. All of the census tracts are middle-income.

### **B. Conclusions with Respect to Performance Tests**

The portion of mortgage loans originated or purchased by the bank in the Brockton MSA portion of the assessment area represents 10.4% of the number and 10.0% of the dollar volume of all loans inside the assessment area.

Small business lending in this MSA represents 22.5% of the total number and 24.0% of the total dollar volume originated by the bank inside its assessment area.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **SOUTH SHORE SAVINGS BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 25, 2003** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.